ONAWAY AREA AMBULANCE SERVICE ONAWAY, MICHIGAN

Financial Statements For the Year Ended March 31, 2006

Prepared By:

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Street Address

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			emment Typ		nd P.A. 71 of 1919	., 35 46	Local Unit Nar	ne	County
	ount		City	□Twp	∐Village	⊠Other		rea Ambulance Service	Presque Isle
		Opinion Date			Date Audit Report Submitted to S	State			
March 31, 2006 July 9, 200			06		July 15, 2006				
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	YES	2		• •				further detail.)	
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3.	×		The local	unit is in	compliance w	ith the Unifo	orm Chart of	Accounts issued by the Depart	ment of Treasury.
4.	X		The local	l unit has a	adopted a bud	lget for all re	equired funds	•	
5.	×		A public l	hearing or	the budget w	as held in a	ccordance w	ith State statute.	
6.	×				not violated thi ssued by the				nergency Municipal Loan Act, or
7.	X		The local	I unit has r	not been delin	quent in dis	tributing tax	evenues that were collected for	or another taxing unit.
8.	X		The local	l unit only	holds deposit	s/investmen	its that comp	y with statutory requirements.	
9.	X		The local Audits of	l unit has r Local Uni	no illegal or ur its of Governn	nauthorized ne <i>nt in Mich</i>	expenditures igan, as revis	that came to our attention as ed (see Appendix H of Bulletin	defined in the <i>Bulletin for</i> n).
10.	X		that have	not been	previously co	mmunicate	d to the Loca	ement, which came to our atter Audit and Finance Division (L under separate cover.	ntion during the course of our audit AFD). If there is such activity that h
11.		×	The loca	l unit is fre	e of repeated	comments	from previou	s years.	
12.	X		The audi	t opinion is	s UNQUALIFI	ED.			
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15.	X		To our k	nowledge,	bank reconci	liations that	were reviewe	ed were performed timely.	
incl	uded	l in t	his or any	other au	thorities and o dit report, no d/or commission	r do they o	s included) is btain a stand	operating within the boundari d-alone audit, please enclose	ies of the audited entity and is not the name(s), address(es), and a
I, th	e un	ders	igned, cert	ify that thi	s statement is	complete a	ind accurate	n all respects.	
We	hav	e en	closed the	e followin	g:	Enclosed	Not Requir	ed (enter a brief justification)	
Financial Statements			\boxtimes						
The letter of Comments and Recommendations			s X						
Other (Describe)									
Certified Public Accountant (Firm Name)					Telephone Number				
Richard E. Mahlmeister, CPA, PC					231-436-5223				
Stre	et Add	dress						City S	tate Zip

ΜI

License Number

17351

Mackinaw City

Richard E. Mahlmeister, CPA

Printed Name

49701

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Member: American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

July 9, 2006

Members of the Board Onaway Area Ambulance Service Onaway, Michigan

I have audited the accompanying financial statements of the governmental activities and the major fund information of the *Onaway Area Ambulance Service*, *Onaway, Michigan*, as of and for the year ended March 31, 2006, which collectively comprise the *Onaway Area Ambulance Service's* basic financial statements as listed in the table of contents. These financial statements are the responsibility of the *Onaway Area Ambulance Service's* management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund information of the *Onaway Area Ambulance Service*, *Onaway, Michigan*, as of March 31, 2006, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 1 through 4 and 18, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Richard E. Mahlmeister, C.P.A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Onaway Area Ambulance Service's (The Service) annual financial report presents our discussion and analysis of The Service's financial performance during the fiscal year ended March 31, 2006. Please read it in conjunction with the financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of The Service as a whole and present a longer-term view of The Service's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. The fund financial statements also report the Service's operations in more detail than the government-wide financial statements.

FINANCIAL HIGHLIGHTS

Assets at March 31, 2006 totaled \$546,628. Of the total, \$199,638 represents capital assets, net of depreciation.

Overall revenues were \$330,310 (\$234,854 from charges for services, \$4,400 from capital contributions \$91,056 from general revenues). Overall expenses in the statement of activities were \$324,308.

The Service eliminated its debt and received \$4,400 in donated capital assets. Capital asset and debt activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Service.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities. There were no business-type activities for the fiscal year March 31, 2006.

The remaining statements are fund financial statements, which focus on individual parts of The Service in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Service as a whole, using accounting methods used by private companies.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

The Statement of Net Assets includes all of The Service's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between The Service's assets and liabilities. This is one method to measure our financial health or position. Over time, increases or decreases in The Service's net assets are an indicator of whether financial position is improving or deteriorating.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about The Service's funds. Funds are used to account for specific activities or funding sources. Funds are established to account for funding of specific financial resources and to show proper expenditure of those resources.

The Service has only the following type of fund:

Governmental Fund

The Service's activities are included in one fund, classified in the governmental fund category. This fund is presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between The Service's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

FUND ANALYSIS OF THE SERVICE AS A WHOLE

The comparison of net assets of governmental activities from year to year serves to measure a governments financial position:

	March 31, 2006	March 31, 2005
Current and other assets	\$346,990	\$311,847
Capital assets (net)	199,638	232,885
Total assets	\$546,628	\$544,732
Long-term liabilities	\$962	\$ -
Other liabilities	10,294	15,362
Total liabilities	\$11,256	\$15,362
Net assets:		
Invested in capital assets net of related		
Debt	\$199,638	\$226,419
Unrestricted	335,734	302,951
Total net assets	\$535,372	\$529,370

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FUND ANALYSIS OF THE SERVICE AS A WHOLE (CONTINUED)

	March 31, 2006	March 31, 2005
REVENUES:		
Program revenues:		
Charges for services	\$234,854	\$252,195
Operating grants and contributions	-	133,051
Capital grants and contributions	4,400	-
General revenues:		
Contributions from local units	84,110	94,382
Interest income	5,271	3,049
Other	1,675	1,852
Total revenues	330,310	484,529
EXPENSES:		
Public safety	324,198	320,685
Interest on long-term debt	110	3,462
Total expenses	324,308	324,147
Increase in net assets	6,002	160,382
Beginning net assets	529,370	368,988
Ending net assets	\$535,372	\$529,370

Net assets increased by \$6,002 and liabilities decreased by \$4,106. Charges for service have decreased \$17,341, as there was fewer ambulance runs; contributions have decreased \$128,651 as the Service received a large contribution in the prior year not received this year; contributions from the participating units have also decreased. Overall expenses have remained stable.

FINANCIAL ANALYSIS OF THE SERVICE'S FUND

The governmental activities paid \$285,589 for ambulance operations.

The Service's governmental activities made no investment in capital assets and received \$4,400 of donated equipment.

The Service's governmental activities paid \$6,466 of principal on contracts, paying off the ambulance building.

CAPITAL ASSET AND DEBT ADMINISTRATION

At March 31, 2006, the Service had \$199,638 (net of depreciation) invested in a building, ambulances, medical and office equipment, with no related debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

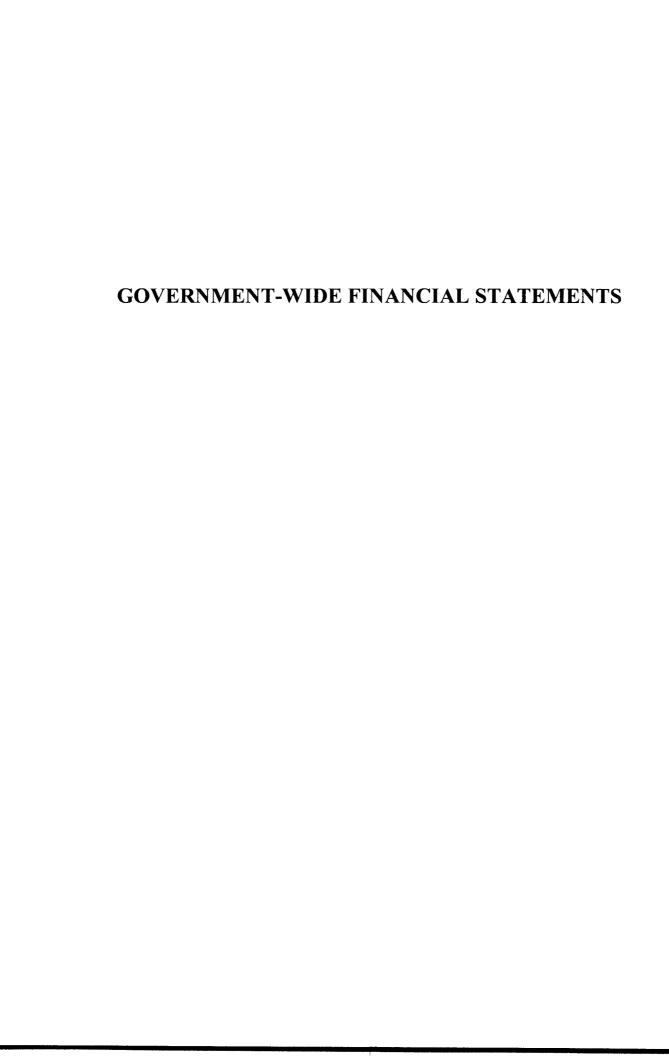
KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Service's revenue is dependent on continuing contributions from the participating government units, services provided, and contributions from the public. During the fiscal year ended March 31, 2006, the Service lost one (1) entity, the Village of Hillman, which could potentially cost the service lost revenues.

CONTACTING MANAGEMENT

This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Onaway Area Ambulance Service's finances and to demonstrate The Service's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact the Chairman at 989.733.4166.

BASIC FINANCIAL STATEMENTS		
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ONAWAY AREA AMBULANCE SERVICE STATEMENT OF NET ASSETS MARCH 31, 2006

ASSETS	GOVERNMENTAL ACTIVITIES
CURRENT ASSETS:	
Cash and cash equivalents	\$104,129
Investments	161,605
Accounts receivable (net of allowance for doubtful accounts of \$54,171)	81,256
TOTAL CURRENT ASSETS	346,990
CAPITAL ASSETS:	
Capital assets	374,210
Accumulated depreciation	(174,572)
TOTAL CAPITAL ASSETS	199,638
TOTAL ASSETS	\$546,628
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	\$2,337
Accrued wages and related liabilities	7,957
Compensated absences - noncurrent	962
TOTAL LIABILITIES	11,256
NET ASSETS:	
Invested in capital assets, net of related debt	199,638
Unrestricted	335,734
TOTAL NET ASSETS	535,372
TOTAL LIABILITIES	
AND NET ASSETS	\$546,628

The accompanying notes are an integral part of these financial statements.

ONAWAY AREA AMBULANCE SERVICE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2006

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions		
Primary government					
Governmental activities					
Public safety	\$324,198	\$234,854	\$		
Interest on long-term debt	110				
Total governmental activities	324,308	234,854			
	General Revenues				
	Contributions from local units				
	U	Inrestricted interest inco	me		
	C	Other			
	To	tal general revenues			
	Ch	nange in net assets			
	Ne	et assets, beginning of yea	ır		
	Ne	t assets, end of year			

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets

i	in Net Assets
Capital Grants	
and	
Contributions	TOTAL
\$4,400	(\$84,944)
-	(110)
4,400	(85,054)
	84,110
	5,271 1,675
	91,056
	6,002
<u></u>	529,370
	\$535,372

FUND FINANCIAL STATEMENTS

ONAWAY AREA AMBULANCE SERVICE BALANCE SHEET - GOVERNMENTAL FUND MARCH 31, 2006

ASSETS	GOVERNMENTAL ACTIVITIES
CURRENT ASSETS:	
Cash and cash equivalents	\$104,129
Investments	161,605
Accounts receivable (net of allowance for doubtful accounts of \$	854,171) 81,256
TOTAL ASSETS	\$346,990
LIABILITIES AND FUND EQUITY	
LIABILITIES:	
Accounts payable	\$2,337
Accrued wages and related liabilities	7,957
TOTAL LIABILITIES	10,294
FUND EQUITY	
Fund balance:	
Reserved for ambulance replacement	92,763
Unreserved. undesignated	243,933
TOTAL FUND EQUITY	336,696
TOTAL LIABILITIES	
AND FUND EQUITY	\$346,990

The accompanying notes are an integral part of these financial statements.

ONAWAY AREA AMBULANCE SERVICE BALANCE SHEET - GOVERNMENTAL FUND MARCH 31, 2006

Reconciliation of fund balance on the balance sheet for the governmental activity to the statement of net assets FUND BALANCE - TOTAL GOVERNMENTAL FUND \$336,696 Amounts reported for governmental activities in the statement of net assets are different because: Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Add: capital assets 374,210 Subtract: accumulated depreciation (174,572)Certain liabilities are not due and payable in the current period, and therefore are not reported in the funds. Subtract: compensated absences (962)

\$535,372

The accompanying notes are an integral part of these financial statements.

NET ASSETS OF GOVERNMENTAL ACTIVITIES

ONAWAY AREA AMBULANCE SERVICE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUND FOR THE YEAR ENDED MARCH 31, 2006

REVENUES	
Contributions from local units	\$84,110
Charges for services - sales	194,499
Charges for services - subscriptions	40,355
Interest	5,271
Contributions and donations from private sources	4,400
Other	1,675
TOTAL REVENUES	330,310
EXPENDITURES	
Current:	
Public safety:	
Salaries, wages and benefits	213,249
Billings and collections	4,527
Communications	2,698
Transportation	10,972
Education and training	455
Promotion	1,898
Professional services	2,850
Repairs and maintenance	13,698
Supplies - medical	15,961
Supplies - office	637
Supplies - other	2,778
Utilities	5,690
Insurance	7,790
Other	2,386
Capital Outlay	4,400
Debt service:	
principal	6,466
interest	110
TOTAL EXPENDITURES	296,565
REVENUES OVER EXPENDITURES	33,745
FUND BALANCE, BEGINNING OF YEAR	302,951
FUND BALANCE, END OF YEAR	\$336,696

ONAWAY AREA AMBULANCE SERVICE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUND FOR THE YEAR ENDED MARCH 31, 2006

	Reconciliation of statement of revenues, expenditures and changes in fund balance of the governmental fund to the statement of activities	
7	CHANGE IN FUND BALANCE - GOVERNMENTAL FUND	\$33,745
_	Amounts reported for governmental activities in the statement of activities are different because:	
<u>.</u>	Governmental funds report capital outlays as expenditures. However, those costs are allocated over their useful lives as annual depreciation expense in the statement of activities.	
—	Add: capital outlay capitalized during the current year Subtract: depreciation expense	4,400 (37,647)
_	Repayment of bond and note principal is an expenditure in the governmental fund, however, it reduces long-term liabilities in the statement of net assets.	
_	Add: principal payments on long-term liabilities.	6,466
_	Some expenses reported in the statement of activities do no require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
	Subtract: increase in the accrual of compensated absences.	(962)
_	CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$6,002

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Onaway Area Ambulance Service (The Service) is a joint venture organized to provide ambulance service throughout the Onaway, Michigan area, pursuant to Michigan P.A. 7, Section 10, Paragraph (2), 1967, serving the City of Onaway, the Hillman Fire and Ambulance Board (serving the Village of Hillman and the townships of Rust and Montmorency) the Townships of Allis, Bearinger, Case, Forest, North Allis, Ocqueoc, and Waverly.

The accounting policies of the Onaway Area Ambulance Service conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

THE REPORTING ENTITY

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", the financial statements of the reporting entity include those of the Onaway Area Ambulance Service and any component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Based on the foregoing criteria, the Onaway Area Ambulance Service has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

ECONOMIC DEPENDENCY

The Service is economically dependent on annual contributions from the participating local units.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on the ambulance service as a whole. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. The Service's government-wide activities are considered governmental activities.

(Continued)

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use. Or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, intergovernmental payments and other items are not properly included among program revenues are reported instead as general revenue.

Fund Financial Statements

Fund financial statements are provided for The Service's government fund.

The Service reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the Onaway Area Ambulance Service. It is used to account for all financial resources.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETS

An operating budget is adopted each fiscal year for the General Fund on the same basis of accounting as the financial statements are presented. The Onaway Area Ambulance Service follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1. Prior to the beginning of the fiscal year, the Secretary submits to the Onaway Area Ambulance Service Board a proposed operating budget for the fiscal year commencing on April 1.
- 2. Public hearings are conducted to obtain taxpayer comments and the individual participating governmental units review and approve the budget.
- 3. Prior to March 31, the budget is legally enacted through passage of a resolution.
- 4. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Onaway Area Ambulance Service Board.

The Onaway Area Ambulance Service's budgetary procedures are in compliance with P.A 621 of 1978 (The Uniform Budgeting Act).

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded, is not employed by the Onaway Area Ambulance Service because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS

Investments are stated at cost and consist of certificates of deposit with maturity values of three months or longer.

RECEIVABLES

Receivables are reported at gross value less an allowance for uncollectible accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off.

CAPITAL ASSETS

Capital assets include property, plant and equipment. Capital assets are defined by the government as assets with an initial individual cost of \$2,500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements 10-30 years Equipment and vehicles 5-10 years

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statement, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures. The Service incurred no additional debt, and paid off remaining long-term obligations during the year ended March 31, 2006.

RESERVES

Reserves represent those amounts which are legally, contractually, or otherwise segregated for future use.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS

It is the Service's policy to permit full-time employees to earn personal time off (PTO) that can be accumulated, subject to certain limitations. Paid time off is accrued when incurred in the government-wide statements. A liability for these amounts is reported in the government funds only if they have matured, for example, as a result of employee resignations or retirements. There are no post-employment benefits offered by the Service.

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, The Service's actual expenditures and budgeted expenditures for the government fund is shown on a functional basis. The approved budgets of The Service were adopted to the activity level. The Service incurred expenditures which exceeded the amount appropriated as follows:

Appropriations		Expenditures	Variance	
Public safety	\$276,110	\$285,589	\$9,479	

NOTE 3: CASH, CASH EQUIVALENTS AND INVESTMENTS

The caption on the combined balance sheet relating to cash, cash equivalents and investments represent deposits in one financial institution located in Michigan in varying amounts as follows:

Cash and cash equivalents	\$104,129
Investments	161,605
	\$265.724
	\$265,734

At year-end the carrying amounts of cash and cash equivalents were classified as to risk as follows:

	Carrying Amount	Bank Balance
Insured (FDIC) Uninsured – uncollateralized	\$125,926 139,808	\$126,491 139,608
	\$265,734	\$266,099

(Continued)

NOTES TO FINANCIAL STATEMENTS

NOTE 3: CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

For the year ended March 31, 2006, certificates of deposit of \$161,605 with original maturity of greater than 90 days are recorded in the financial statements as investments. All accounts are in the name of the Onaway Area Ambulance Service. They are recorded in the records at cost. Interest is recorded when deposits mature or is credited to the applicable account.

Michigan Compiled Laws, Section 129.91 authorizes units of local governments to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

NOTE 4: CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year is as follows:

	Balance			Balance
	April 1, 2005	Additions	Deletions	March 31, 2006
Not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Being Depreciated:				
Building and Improvements	107,295	-	-	107,295
Equipment	81,496	4,400	(1,315)	84,581
Vehicles	195,434	<u> </u>	(23,100)	172,334
Subtotal	394,225	4,400	(24,415)	374,210
Less accumulated depreciation	(161,340)	(37,647)	24,415	(174,572)
Total	\$232,885	(\$33,247)	\$ -	\$199,638

Depreciation was charged to the functions as follows:

Public safety \$37,647

NOTES TO FINANCIAL STATEMENTS

NOTE 5: LONG-TERM DEBT

A summary of long-term obligations and transactions related thereto for the year then ended is as follows:

	Balance April 1, 2005	Additions	Deletions	Balance March 31, 2006
Note payable – Land and Building, monthly payments of \$1,132, including interest	0.466	ø	\$6.466	s -
At 5.75%	\$6,466_		\$6,466	<u> Б</u> -

NOTE 6: AMBULANCE SERVICE

The nine governmental units described in Note 1 established the Onaway Area Ambulance Service. Each governmental unit provides one representative to the board. The expenses involved in overall operations of the ambulance service are split equally between the nine units, and the expenses associated with ambulance runs within a governmental jurisdiction are absorbed by that governmental unit.

NOTE 7: RISK MANAGEMENT

The Onaway Area Ambulance Service participates in the Michigan Township Participating Plan for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Onaway Area Ambulance Service. The Onaway Area Ambulance Service pays an annual premium to the Michigan Participating Plan for its general insurance coverage and has no additional liability beyond the premiums made to this plan.

The plan has a maximum liability for property of \$208,000, general liability of \$6,000,000, wrongful acts of \$5,000,000, automobile of \$4,000,000, crime of \$10,000, inland marine liability of \$32,500 and bonding for public officials errors and omissions. Additionally, the Onaway Area Ambulance Service has purchased commercial insurance for workmans compensation benefits. Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 8: SUBSEQUENT EVENT

Effective March 31, 2006, the Hillman Fire and Ambulance Board (the Board) withdrew from the Service. The Board's contribution for the year ended March 31, 2006 was \$7,563, not including charges for services for constituents.

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	SUPPLEMENTARY INFORMATION
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ONAWAY AREA AMBULANCE SERVICE BUDGETARY COMPARISON SCHEDULE -GENERAL FUND FOR THE YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES				
Contributions from local units	\$84,110	\$84,110	\$84,110	\$ -
Charges for services - sales	180,000	180,000	194,499	14,499
Charges for services - subscriptions	41,000	41,000	40,355	(645)
Interest	2,000	2,000	5,271	3,271
Contributions and donations from private sources	-	-	4,400	4,400
Other		-	1,675	1,675
TOTAL REVENUES	307,110	307,110	330,310	23,200
EXPENDITURES				
Current:				
Public safety	276,110	276,110	285,589	(9,479)
Capital Outlay	23,000	23,000	4,400	18,600
Debt service:				
principal	6,500	6,500	6,466	34
interest	1,500	1,500	110	1,390
TOTAL EXPENDITURES	307,110	307,110	296,565	10,545
REVENUES OVER EXPENDITURES	-	-	33,745	33,745
FUND BALANCE, BEGINNING OF YEAR	302,951	302,951	302,951	-
FUND BALANCE, END OF YEAR	\$302,951	\$302,951	\$336,696	\$33,745



Member: American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

July 9, 2006

Members of the Board Onaway Area Ambulance Service Onaway, Michigan

In planning and performing my audit of the financial statements of *Onaway Area Ambulance Service*, *Onaway*, *Michigan*, for the year ended March 31, 2006, I considered the Onaway Area Ambulance Service's internal control structure to plan my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit I noted certain matters involving the internal control structure and other operational matters, presented for your consideration, that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated July 9, 2006 on the financial statements of the *Onaway Area Ambulance Service*.

Thank you for the opportunity to serve the *Onaway Area Ambulance Service*. Best wishes in the next year.

Sincerely

Richard E. Mahlmeister, C.P.A.

Onaway Area Ambulance Service Comments & Suggestions September 9, 2006 Page 2 (two)

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2006, As shown in the financial statements, the Service incurred expenditures of \$285,589, which exceed the amount appropriated of \$276,110 by \$9,479.

I suggest that the Board on a periodic basis, review appropriations as compared to actual expenditures and amend the budget as necessary, prior to making expenditures, to avoid incurring expenditures in excess of appropriations.

CREDIT CARD POLICY

I noted that the Board increased the allowable charge amount on the Service's credit card from \$500 to \$1,000. I recommend that additionally the Board also incorporate this change in their written Credit Card Policy.